

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE REALIGNMENT OF CERTAIN
FUNCTIONS FROM KELLY AIR FORCE BASE, TEXAS,
TO BROOKS AIR FORCE BASE, TEXAS**

Report No. 97-189

July 14, 1997

Department of Defense

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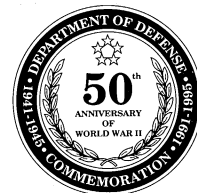
Acronyms

AFB
BRAC
CES
MILCON

Air Force Base
Base Realignment and Closure
Civil Engineering Squadron
Military Construction



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July 14, 1997

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for the Realignment of Certain Functions from Kelly Air Force Base, Texas, to Brooks Air Force Base, Texas (Report No. 97-189)

We are providing this final audit report for your information and use. This report is one in a series about FY 1998 Defense base realignment and closure military construction costs.

Because this report contains no recommendations, written comments were not required, and none were received.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. Michael A. DiRenzo, Audit Project Manager, at (703) 604-9314 (DSN 664-9314). See Appendix D for the report distribution. The audit team members are listed inside the back cover.

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Report No. 97-189
(Project No. 7CG-5002.18)

July 14, 1997

Defense Base Realignment and Closure Budget Data for the Realignment of Certain Functions from Kelly Air Force Base, Texas, to Brooks Air Force Base, Texas

Executive Summary

Introduction. This report is one in a series about FY 1998 Defense base realignment and closure military construction costs. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each military construction project associated with Defense base realignment and closure does not exceed the original estimated cost provided to the Commission on Defense Base Closure and Realignment (the Commission). If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to explain to Congress the reasons for the differences. The Office of the Inspector General, DoD, is required to review each Defense base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees.

Audit Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data. This report provides the results of the audit of one project, valued at \$3.9 million, for the realignment of functions from Kelly Air Force Base, Texas, to Brooks Air Force Base, Texas. Another objective was to assess the adequacy of the management control program as it applied to the overall audit objective. The management control program objective will be discussed in a summary report on the FY 1998 Defense base realignment and closure military construction budget data.

Audit Results. The Air Force did not properly plan for the Defense base realignment and closure military construction project to realign Kelly and Brooks Air Force Base functions. As a result, the \$3.9 million funding request for project CNBC993000, "Add to and Alter YAD/Textile Laboratory," was unsupported. Subsequent to the completion of the audit verification phase, the Air Force submitted a revised DD Form 1391, "FY 1999 Military Construction Project Data," for the revised project CNBC993000R, at an estimated cost of \$3.65 million that is adequately supported. Therefore we are not making any recommendations.

Management Comments. We provided a draft of this report on May 23, 1997. Because this report contains no recommendations, written management comments were not required, and none were received. Therefore, we are publishing this report in final form.

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Part I - Audit Results

Audit Background

The Office of the Inspector General, DoD, is performing audits of the Defense base realignment and closure (BRAC) process. This report is one in a series about FY 1998 BRAC military construction (MILCON) costs. For additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs, see Appendix B. See Appendix C for a summary of invalid and partially valid requirement for the project we reviewed.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. Another objective was to assess the adequacy of the management control program as it applied to the overall audit objective.

This report provides the results of the audit of project CNBC993000, "Add to and Alter YAD/Textile Laboratory," valued at \$3.9 million, resulting from the realignment of functions from Kelly Air Force Base (AFB), Texas, to Brooks AFB, Texas. See Appendix A for a discussion of the scope and methodology. The management control program objective will be discussed in a summary report on FYs 1997 and 1998 BRAC MILCON budget data.

Prior Audits and Other Reviews

Three summary reports have been issued for the audits of BRAC budget data for FYs 1992 through 1996. These reports list individual projects. Since April 1996, numerous additional audit reports have been issued that address DoD BRAC budget data for FYs 1997 and 1998. Details on these reports are available upon request.

Requirements and Costs for YAD/Textile Laboratory

The Air Force did not properly plan project CNBC993000, "Add to and Alter YAD/Textile Laboratory," valued at \$3.9 million, resulting from the realignment of functions from Kelly AFB, to Brooks AFB. The Air Force did not properly develop and document project requirements and cost estimates or perform an economic analysis as required and imposed an arbitrary funding ceiling before the project scope and requirements were defined. As a result, the project requirement and cost estimate of \$3.9 million for the proposed BRAC MILCON project were unsupported. After informing the Air Force in March 1997 of the problems, the Air Force prepared a revised project plan in May 1997 that properly supported a \$3.65 million estimate for the project.

Project Background

The 1995 Commission on Defense Base Closure and Realignment recommended realigning Kelly AFB and consolidating its workloads to other DoD depots or to private sector commercial activities. Air Force officials concluded that the BRAC decision for the realignment of Kelly AFB presented a unique opportunity to consolidate and collocate products/programs where it makes sense. The Air Force proposed moving certain Kelly AFB functions to the Human Systems Center located at Brooks AFB including: Life Support Sustainment, Life Support Engineering, Life Support Contracting, Life Sciences Lab, Textile Lab, Engineering and Tech Data Management, Management Support and Continuous Acquisition, and Life Cycle Support.

Developing and Documenting BRAC MILCON Requirements

The Air Force could not support requirements or costs on the DD Form 1391, "FY 1998 Military Construction Project Data," for the BRAC MILCON project to consolidate functions realigning from Kelly AFB. The Air Force did not provide sufficient documentation to support requirements for the budget request for additions and alterations of current facilities to accomplish the realignment.

Site Survey Data. The 70th Civil Engineering Squadron (CES), Brooks AFB, did not comply with "Instructions for Preparing BRAC 95 Program Estimates and FY 95 Summer Review" (the instructions), March 9, 1995, issued by the Special Assistant to the Chief of Staff for Base Realignment and Transition. Attachment 1, "Methodology," of the instructions require documentation for BRAC projects "to show sufficient information for someone else who is totally unfamiliar with the area to be able to reconstruct each step of the cost derivation." The instructions require the use of site survey data from the closing base as the starting point in developing the project space requirements and the applicable cost estimates.

Administrative Space Criteria. The Air Force did not develop adequate support for the administrative space requirements. The data provided showed the Air Force determined administrative space by allocating 285-gross-square-feet-per-person. The 285-gross-square-feet-per-person is excessive. The 285-gross-square-feet-per-person is 150 (285-135) gross-square-feet-per-person more than Air Force Handbook 32-1084, "Standard Facility Requirements Handbook," July 31, 1995, allows when pre-wired workstations are used.

Factors to Determine Space Requirements. The space requested on the DD Form 1391 for the administrative facilities and applicable cost estimates should be supported by data, such as the number of personnel requiring administrative space and any special purpose space requirement. Special purpose space includes: auditoriums, training rooms, drafting rooms, rooms housing automatic data processing equipment, telecommunications, cafeterias, laboratories, libraries, shipping and receiving rooms, and holding space for contract maintenance equipment. Those spaces may be included in an administrative facility when justified by operational requirements. This data is needed to develop a reasonable estimate of space requirements and the applicable costs in sufficient detail to allow someone unfamiliar with the project to understand the methodology.

Developing and Documenting Basis for Unit Cost Estimates

Funding Ceiling. The Air Force established a \$3.9 million funding ceiling for project CNBC993000 before the project scope and requirements were defined or before the estimated costs were calculated. Estimated costs in the DD Form 1391 are required to represent well-defined requirements, scope, and costs. Engineering personnel informed us in February 1997 that they were verbally instructed to keep the cost of the project under \$3.9 million. However, the 70th CES could not document the source of the verbal instruction. Because the 70th CES was trying to match a funding ceiling, the cost estimate, its development process, and the supporting documentation for the costs are questionable.

The instructions require that worksheets be prepared and maintained to show exactly how amounts were calculated. The Air Force should provide support in sufficient detail to allow someone unfamiliar with the project to reconstruct the methodology used to develop the unit cost estimates.

Developing and Documenting an Economic Analysis

The Air Force did not perform an economic analysis for project CNBC993000. Air Force Instruction 65-501, Paragraph 2.2, "Financial Management, Economic Analysis," June 1, 1994, requires an economic analysis to be performed for any MILCON proposal when the value of the construction

exceeds \$2 million. An economic analysis is to include a statement of the proposed task, assumptions made, a determination of the feasibility of the alternative approaches, and a cost/benefit analysis for each feasible alternative approach. According to Air Force Instruction 65-501, Paragraph 1.6, the Under Secretary of Defense (Comptroller) has authority to grant waivers from economic analysis requirements. The instruction states that an economic analysis may be waived if the costs clearly outweigh the expected benefits, if only one option meets operational requirements, or if other waiver criteria apply.

Engineering personnel at the 70th CES stated they believed the economic analysis for project CNBC993000 was not required because of guidance supplied by the Air Force. As a result, no assurance existed that the \$3.9 million budgeted for the BRAC MILCON project was the most economical approach. Because the project is valued at more than \$2 million, the 70th CES must perform an economic analysis.

Conclusion. The Air Force could not adequately support project CNBC993000. In March 1997, we informed Air Force personnel that we intended to recommend that the project be withdrawn and resubmitted in a future BRAC budget submission. In May 1997, the Air Force submitted a revised DD Form 1391, for the revised project CNBC993000R, valued at \$3.65 million. Also, the Air Force provided adequate documentation supporting the project requirements and cost estimate, including an economic analysis. The revised DD Form 1391 has an estimated cost of \$3.65 million. We reviewed the revised submission and determined that the revised project is properly supported, the economic justifies the project and is in accordance with DoD and Air Force criteria, and the cost reduction of \$250 thousand is appropriate. Therefore, this report contains no recommendations.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope of This Audit. We examined the FY 1998 BRAC MILCON budget request and supporting documentation for space requirements for one realignment project regarding the realignment of functions from Kelly Air Force Base to Brooks Air Force Base. Project CNBC993000, " Add to and Alter YAD/Textile Laboratory," was valued at \$3.9 million. We examined the FY 1999 BRAC MILCON budget request, economic analysis, and supporting documentation for the revised project CNBC993000R valued at \$3.65 million.

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from February 1997 through May 1997 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. The audit did not rely on computer-processed data or statistical sampling procedures.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Appendix B. Background of Defense Base Realignment and Closure

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1998 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Appendix B. Background of Defense Base Realignment and Closure

Overall Audit Selection Process. We reviewed the FY 1998 BRAC MILCON \$354.3 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected all projects in the budget. We also reviewed those FY 1997 BRAC MILCON projects that were not included in the previous FY 1997 budget submission, but were added as part of the FY 1998 BRAC MILCON budget package.

Appendix C. Project Identified as Invalid or Partially Valid

Table C-1. Causes of Invalid or Partially Valid Project

<u>Project Location</u>	<u>Project Number</u>	<u>Causes of Invalid Project</u>		<u>Causes of Partially Valid Project</u>	
		<u>Overstated</u>	<u>Unsupported</u>	<u>Overstated</u>	<u>Unsupported</u>
Brooks AFB	CNBC993000				X

Table C-2. Recommended Changes in Project Estimates

<u>Project Location</u>	<u>Project Number</u>	<u>Amount of Estimate on DD Form 1391 (thousands)</u>	<u>Recommended Amount of Change</u>	
			<u>Invalid Projects (thousands)</u>	<u>Partially Valid Projects (thousands)</u>
Brooks AFB	CNBC993000	\$3,900	\$250	
Total		\$3,900	\$250	
Total Invalid and Partially Valid Project				\$250

Appendix D. Report Distribution

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Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Public Affairs)
Deputy Under Secretary of Defense (Industrial Affairs and Installations)
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Department of the Army

Auditor General, Department of the Army

Department of the Navy

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Commander, Naval Facilities Engineering Command
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Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Deputy Assistant Secretary of the Air Force (Installations), Base Transition Division
Commander, Air Force Material Command
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Senate Subcommittee on Defense, Committee on Appropriations
Senate Subcommittee on Military Construction, Committee on Appropriations
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Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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